

VZCZCXR07173

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RUEHPB RUEHRN RUEHROV
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ZNR UUUUU ZZH
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FM AMEMBASSY WELLINGTON
TO RUEHC/SECSTATE WASHDC 5409
INFO RUEHNZ/AMCONSUL AUCKLAND 1730
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RUCNMEM/EU MEMBER STATES COLLECTIVE

UNCLAS SECTION 01 OF 02 WELLINGTON 000285

SENSITIVE
SIPDIS

STATE FOR EAP/ANP AND EEB, STATE PASS TO USTR, PACOM FOR
J01E/J2/J233/J5/SJFHQ

E.O. 12958: N/A

TAGS: ECON ETRD PGOV PREL NZ

SUBJECT: NEW ZEALAND'S EXPECTATIONS ON EVE OF P-4 TALKS IN SAN
FRANCISCO

Ref A) WELLINGTON 121

WELLINGTON 00000285 001.2 OF 002

¶1. (SBU) Summary: A member of the New Zealand delegation to the P-4 talks says that GNZ expectations remain positive, and that all sides will make progress in San Francisco. He noted that this second round will not be the last, but that discussions should result in consolidated text for both chapters on Investment and Financial Services. New Zealand has been in contact with the other countries' negotiators, and he predicted that there would be more detailed interventions during this round than had been the case for some delegations in Queenstown in June. End Summary.

P-4 Talks: No Final Results But Progress Expected

¶2. (SBU) Emboffs met on September 4 with Ben King, senior policy officer in the Trade Division of New Zealand's Ministry of Foreign Affairs and Trade (MFAT) to ascertain New Zealand's expectation/concerns prior to the upcoming "P-4 talks" to be held in San Francisco from September 10 to 14. King said the NZ delegation was fully prepared to work through the section on Investor-State Dispute Settlement (CISDS) and that he expected there to be four sets of developed CISDS proposals submitted by the respective parties with the expectation that a consolidated text would result by end of the session. He did caution that there may still be some unresolved policy differences among the participants but he did not see these as insurmountable. He also did not see upcoming New Zealand national elections (likely to occur in November) as slowing down any momentum for New Zealand commitment to moving ahead with further P-4 discussions or negotiating rounds.

¶3. (SBU) While Mr. King is not directly negotiating the Financial Services section (responsibility of MFAT's Brian Wilson), he did proffer that he felt there were still some "technical issues" that needed to be addressed by the GNZ. These relate to proposed legislation granting the Reserve Bank of New Zealand (RBNZ) expanded powers to regulate investment institutions, i.e. non-traditional banking/investment entities. He did not see this as a deal breaker but merely a developmental step still to be taken by NZ. Mr. King further relayed that his sense was that all participants have had

extensive consultation since the Queenstown meeting and he expected all parties to be fully briefed and prepared.

Background

¶4. (SBU) In 2005, New Zealand, Singapore, Chile, and Brunei concluded the first multilateral Free Trade Agreement (FTA) in the Asia-Pacific region, the so-called Trans-Pacific Economic Partnership (nicknamed the "P-4"). At the time of signing, the P-4 members were not able to reach agreement on the Financial Services and Investment provisions, but agreed to revisit those chapters in ¶2008. In February this year, USTR Ambassador Susan Schwab announced that the United States would begin Investment and Financial Services section negotiations with the P-4 countries, and would also begin a detailed exploratory process to determine whether it should participate in the full Trans-Pacific Strategic Economic Partnership.

¶5. (SBU) The parties held a round of exploratory talks in Santiago in early March. The first negotiating round was held in Queenstown, New Zealand from June 16-19. At the start of the Queenstown talks, New Zealand announced that it could consider inclusion of CISDS in the Investment chapter, subject to the inclusion of appropriate safeguards, along the lines of that provided for in the New Zealand/China FTA (Reftel A). NZ's previous opposition to CISDS had apparently been a major obstacle to reaching an agreement on Investment among the P-4 in the initial FTA negotiations.

¶6. (SBU) In Queenstown, the United States presented proposed texts on Investment and Financial Services, and most of the negotiations were spent comparing provisions in the US text with the draft P-4 chapters. At the end of the discussions, side-by-side texts were agreed upon that now form the basis of the San Francisco round of negotiations.

WELLINGTON 00000285 002.2 OF 002

MCCORMICK